

EXHIBIT I

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS

United States Courts
Southern District of Texas
FILED

CASE NO.: 07-20027

APR 24 2007

STYLE: Scotia Development, LLC

Michael N. Milby, Clerk of Court

HEARD ON: 04/17/07

FILED ON: 04/24/07

NO. OF PAGES: 9

JUDGE: Richard S. Schmidt

COURT REPORTER: Sharon Russell

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF TEXAS

CORPUS CHRISTI DIVISION

IN RE: SCOTIA DEVELOPMENT LLC,. CASE NO. 07-20027
.
DEBTOR. . CORPUS CHRISTI, TEXAS
.
 . TUESDAY, APRIL 17, 2007
 . 10:57 A.M. TO 11:05 A.M.
.....

MOTION HEARING

SOME PARTIES APPEARING TELEPHONICALLY

BEFORE THE HONORABLE RICHARD SCHMIDT
UNITED STATES BANKRUPTCY JUDGE

Appearances:

For Scotia Pacific Company:	Kathryn A. Coleman, Esq. Eric J. Fromme, Esq. Gibson, Dunn & Crutcher LLP 200 Park Avenue New York, NY 10166-0193
Official Committee of	Maxim B. Litvak, Esq. Pachulski Stang Ziehl Young Jones & Weintraub 150 California Street, 15 th Floor San Francisco, CA 94111-4500
Timber Noteholders:	Gregory W. Nye, Esq. Kurt Mayr, Esq. Bracewell & Giuliani No Address Provided
For Pacific Lumber Company:	Peter Holzer, Esq. No Address Provided
Bank of America:	Ana Acevedo, Esq. O'Melveny & Myers No Address Provided

Appearances (continued):

Marathon Structured Finance
Fund:

John Penn, Esq.
Haynes & Boone
No Address Provided

CSG Investments:

Roberto Kampfner, Esq.
Alan Gover, Esq.
CSG Investments
No Address Provided

Houlihan Lokey Howard &
Zukin:

Todd Hanson, Esq.
Houlihan Lokey Howard & Zukin
No Address Provided

Maxxam, Inc.

Joli Pecht, Esq.
Maxxam, Inc.
No Address Provided

John Melko, Esq.
No Address Provided

Mark Wege, Esq.
No Address Provided

Matt Reed, Esq.
No Address Provided

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Proceedings recorded by electronic sound recording;
Transcript produced by transcription service.

Corpus Christi, Texas; Tuesday, April 17, 2007; 10:57 a.m.

(Some parties appearing telephonically)

THE COURT: Send in the call.

(Pause)

THE COURT: Good morning.

SOME COUNSEL: Good morning, your Honor.

THE COURT: John Penn?

MR. PENN: Present, your Honor.

THE COURT: Kathryn Coleman?

MS. COLEMAN: Present, your Honor.

THE COURT: Eric Fromme?

MR. FROMME: Present, your Honor.

THE COURT: Mark Wege?

MR. WEGE: Present, your Honor.

THE COURT: Maxim Litvak?

(No audible response)

THE COURT: No.

Evan Flaschen?

MR. MAYR: Mr. Flaschen's not here, your Honor. But
Kurt Mayr and Greg Nye are.

THE COURT: All right. Brian Lennon?

(No audible response)

THE COURT: Matt Reed?

MR. REED: Present, your Honor.

THE COURT: Todd Hanson?

1 **MR. HANSON:** Present, your Honor.

2 **THE COURT:** Francine Brodowicz?

3 **(No audible response)**

4 **THE COURT:** Joli Pecht?

5 **MS. PECHT:** Present, your Honor.

6 **THE COURT:** Ann [sic] Acevedo?

7 **MS. ACEVEDO:** Present, your Honor.

8 **THE COURT:** Alan Gover?

9 **MR. GOVER:** Present, your Honor.

10 **THE COURT:** Roberto Kampfner.

11 **MR. KAMPFNER:** Present, your Honor.

12 **THE COURT:** Daniel Zazove, or Zazove of whatever,
13 Z-a-z-o-v-e.

14 **(No audible response)**

15 **THE COURT:** Anyone else on the phone call?

16 **MR. MELKO:** John Melko.

17 **THE COURT:** Mr. Melko.

18 And Mr. Holzer's in the courtroom.

19 **MR. HOLZER:** Yes, your Honor. For --

20 **THE COURT:** What do we have scheduled today?

21 **MR. HOLZER:** We have several matters on. I was
22 wondering if -- if Mr. Litvak is not on, I wonder if anyone
23 else from the committee is on the call, 'cause we were
24 expecting the committee. Well --

25 **THE COURT:** Pachulski, Stang, Ziehl, and Young.

1 **(No audible response)**

2 **MR. HOLZER:** Well I guess I'll proceed, then, Judge.

3 The committee did consent to the only matter that
4 we're actually going to do today. We have four matters
5 appearing on the docket. The first is Docket Number 247, which
6 we refer to as the netting motion. And we're going to ask the
7 Court to push that to May the 1 -- May 1 at 11 o'clock.

8 **THE COURT:** All right.

9 **MR. HOLZER:** The next two items, 531 and 532, are
10 applications and a motion to seal with respect to the retention
11 of Morrison and Forester. And we'd like to push that to next
12 Tuesday's docket. That's April the 24th at 11 o'clock.

13 **THE COURT:** Okay.

14 **MR. HOLZER:** That leaves us, then, with docket number
15 632. That's the emergency application of Brit Lumber for
16 authority to pay some specified severance benefits to 27
17 employees who were terminated post-petition.

18 Your Honor, we're asking for approval to do this
19 It's a modest, fairly modest severance benefits. Brit believes
20 that it's decent to do this for laid off employees to help tide
21 them over, and also believes that doing so will help with
22 respect to Palco and Scopac, the other -- the larger employers,
23 to help foster loyalty, good will, and so forth, all the things
24 you'd expect them --

25 **THE COURT:** What is the total amount?

1 **MR. HOLZER:** -- to do.

2 Total amount, Judge is \$25,732 spread among the 27
3 employees. They have to sign a release to get it. The form of
4 release was filed with the pleading. And it's based on --

5 **THE COURT:** What's the largest amount?

6 **MR. HOLZER:** Largest amount, Judge, is \$3,420 to an
7 employee for over 20 years. And it's based on length of
8 service. One to five year gets one week base pay. Six to
9 ten --

10 **THE COURT:** Has the committee approved --

11 **MR. HOLZER:** -- years --

12 **THE COURT:** -- the -- committee approved the pay?

13 **MR. HOLZER:** Committee has approved this, your Honor.
14 And we've asked the bank's approval. And we believe they also
15 agree. There have been no objections.

16 **THE COURT:** Anyone on the phone objecting?

17 **(No audible response)**

18 **THE COURT:** Okay. I'm prepared to rule on the 2019
19 Motion. After reviewing carefully all of the pleadings that
20 have been filed, I've decided in this case, because of the -- a
21 number of reasons, but primarily because this is primarily it
22 appears to me to be a financial reorganization that, in this
23 particular case, while I suspect that my ruling will be
24 contrary to the recent decision that was cited, I'm going to
25 take an approach, a practical approach, and find that this is

1 not a committee, that this is -- at this point that this is
2 just one law firm representing a bunch of creditors.

3 And I am not going to require at this time any
4 filings. I do -- I am aware that Mr. Flaschen has indicated he
5 has previously filed on his own behalf a filing that sets out
6 who he represents. And I -- I will continue to require that he
7 keep that updated in the event that there is any significant to
8 the change -- change to the parties that he represents.

9 In addition to that, I think that he needs to be also
10 careful that his, and this is just, this is not a ruling, but I
11 suspect that there could well be situations where his
12 representation of this group of people could have some
13 conflicts of interest.

14 And thereby, it would be important that all of the
15 parties that he represents understands those conflicts in order
16 to waive them. So that's his responsibility with respect to
17 the conflicts that might well exist by virtue of his
18 representation.

19 I'm not suggesting there are any at the present time.
20 I'm just saying, obviously, if one of the claimants happen to
21 have a large unsecured claim as well as a secured claim, there
22 could be a conflict in the position taken with respect to -- to
23 all of his representation.

24 But I'm not addressing that at this time. All I'm
25 doing is -- is denying the motion to file the 2019 information

1 as requested.

2 So if Mr. Flaschen's on line, but if you would have
3 him submit an order to that effect.

4 Thank you.

5 **MR. MELKO:** Your Honor?

6 **THE COURT:** Yes.

7 **MR. MELKO:** John Melko.

8 **THE COURT:** Well Mr. Melko, you can submit the order.

9 **MR. MELKO:** Well and also two of the members -- two
10 of Mr. Flaschen's partners are on line. So we're -- we're
11 mindful and appreciative of the Court's ruling.

12 With respect to the motion we filed about eight days
13 ago with respect to the appeal of the SARE Motion --

14 **THE COURT:** Right.

15 **MR. MELKO:** Yeah. I don't know if the Court's aware,
16 but there's been some recent activity. We had another late
17 night pleading by Scopac last night, where essentially they're
18 asking the District Court to dismiss the -- dismiss the Notice
19 of Appeal.

20 The appeal has not yet formally been docketed,
21 although, of course there is a filing file number assigned to
22 it at the District Court. Your Honor mentioned when we talked
23 about the -- when we had the SARE hearing, that the notice
24 appeal filed, that you understood that it was a new procedure,
25 that it was time sensitive.

1 That you were trying to rule promptly, given the
2 recent -- particularly by the recent acts by Scopac. We would
3 ask that your Honor issue a ruling --

4 **THE COURT:** All right. All right. I appreciate
5 that.

6 And I -- as far as those of you on the line, you can
7 tell your compatriots, too, I don't -- I have no problem with
8 people hounding me for opinions.

9 So that's not what you're doing, Mr. Melko. But just
10 bringing it up is not a faux faux. That's helpful.

11 **MR. MELKO:** I've been called a hound before, your
12 Honor.

13 **THE COURT:** We got plenty of things that we're
14 working on in this case. But -- and that one is one of them.

15 So that one has got a priority as well as the vending
16 motion.

17 Thank you very much. You all are excused.

18 **MR. HOLZER:** Thank you, Judge.

19 **UNITED STATES MARSHAL:** All rise.

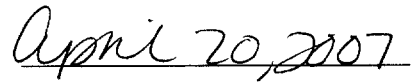
20 **(This proceeding was adjourned at 11:05 a.m.)**

CERTIFICATION

I certify that the foregoing is a correct transcript from the
electronic sound recording of the proceedings in the above-
entitled matter.



Transcriber



Date

07-20027

04/17/07 - 04/20/07